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SUBJECT: AMBASSADOR'S VISIT TO ARMAVIR MARZ

Classified By: Ambassador Marie L. Yovanovitch. Reason 1.4 (b/d)

SUMMARY

1. (C) Ambassador's May 27 familiarization visit to Armavir Marz highlighted the deepening impact of the global economic crisis in Armenia's regions, particularly as a result of declining agricultural demand and falling remittances. Corruption remains a serious problem in nearly every interaction in the region, and too few people understand how to assert their rights. While most interlocutors support reconciliation with Turkey and recognize the economic benefits of a re-opening of the border, some cautioned about lingering mistrust of their Turkish neighbors. End Summary.

2. (C) Ambassador's May 27 visit to Armavir Marz, located due west of Yerevan, included her first visit to the Armenian Nuclear Power Plant (ANPP) at Metsamor. ANPP Director Gagik Markosian, led the tour, and repeatedly thanked Ambassador for the assistance provided to the plant -- USD 50 million to date -- in the years since independence for training and safety upgrades. In meetings with the Mayor of Armavir, the staff of the Armavir Development center, and the director of the independent television station ALT-TV, all described a regional economy experiencing a serious shock from the global financial crisis, due largely to reduced remittances, fewer persons going abroad for work, and collapsing demand for agricultural production. The Armavir Development Center and the director of ALT-TV both highlighted serious problems of corruption in the region, and the public's lack of awareness of their legal and political rights. All interlocutors were supportive of rapprochement with Turkey, though some cautioned that mistrust remains in communities populated by descendants of those pushed out of eastern Anatolia during the late Ottoman period.

CITY OF ARMAVIR - FORMER INDUSTRIAL CENTER

3. (C) During the Soviet era, the City of Armavir, population 50,000, was Armenia's third-largest industrial city. Much of that capacity is now idle, with many of the displaced workers forced into agriculture -- usually on plots too small to provide a livelihood -- while others seek work abroad. The city's major employers now -- besides the city government itself -- are a cannery, cognac production and bakeries. The city relies to a large degree on remittances and other subsidies. Mayor Ruben Khlgatian thanked the Ambassador for assistance provided by USAID and its implementers, which in recent years has included a garbage truck and training on conduct of elections. The Mayor expressed interest in establishing a sister-city relationship with a U.S. city, and hopes that such a relationship could assist the city's economic development. It already has such relationships with cities in Russia, Ukraine and France (Note: Post will provide information to the Mayor on how to pursue this. End Note). Although plans to further develop the city's industrial capacity have been forestalled by the current economic

crisis, the Mayor hopes to proceed with a four-year economic development program to improve roads, renovate apartments and rehabilitate irrigation systems (Note: MCC has a number of canal projects in the region, though not in the city itself).

The city is also working to support SME development, and Khlgatian noted that banks are starting to lend to businesses again.

ECONOMY IN SERIOUS TROUBLE

14. (C) Armavir is a highly agrarian marz, accounting for about 15 percent of Armenia's agricultural production. The region depends heavily on remittances, which some banks in the region estimate may decline this year by as much as 95 percent from last year's levels (Note: The current estimate by IFIs is that remittances will decline countrywide by about 30 percent this year. End Note). Officials from the Armavir Development Center recently traveled to Russia and concluded that between the slumping Russian economy and increased restrictions on foreign workers, eighty percent of those who come to Russia without a job arranged in advance are unlikely to find one. Many seasonal workers will not be returning to Russia this year, while some are stranded there, unpaid for previous work and now lacking money to return home.

15. (C) The agriculture sector is faring equally poorly, due in part to reduced demand from canneries -- some of which are closing -- and cognac producers. While the latter typically cannot produce enough to meet demand, Ararat Cognac this year will purchase just half its normal volume of grapes, even though it is in apparent violation of its contract in doing so. (Note: The predicament of the cognac industry is corroborated by "Noy" brand cognac, owned by Gagik Tsarukian, Armenia's most prominent oligarch and head of the Prosperous Armenia party. Not long ago, he told the EU Ambassador that his factory would not be buying any grapes this year. End Note). Elsewhere, producer prices are often well below the cost of production, which has increased due to higher fertilizer costs and interest rates. Consequently, 30-40 percent of arable land in many communities in the region is being left uncultivated this year.

MEDIA FREEDOM

16. (C) ALT-TV, located in the city of Armavir, has been broadcasting for 20 years, and covers the Armavir, Aragatsotn, Kotayk and Ararat regions. Its focus is Armavir and neighboring Aragatsotn, where it is the only local broadcaster. The station carries 15 hours of programming daily, primarily news but other programs as well. It is largely supported by advertising revenue.

17. (C) Station director Khachik Danielian said that government attitudes toward news programming has changed -- largely for the worse -- in the years since independence. In 1991 the station expanded news programming, and people welcomed independent reporting. Freedom of speech and media blossomed in the early 1990s, but that atmosphere of tolerance began to change significantly around 1998, he asserted, and by 2000, television had become a tool to promote government interests. A 2002 law "buried the idea of free and independent television." The GOAM now has greater power and discretion over tendering of broadcast frequencies, and the television and radio commission can pull any station off the air (he noted the case of Al-Plus). He complained about legal requirements for television stations to submit reports about their programming twice each month to the Radio and Television Commission, as well as license mandates requiring cultural programming, without funding from the state to produce it.

NGO--PEOPLE DON'T UNDERSTAND THEIR RIGHTS

18. (C) All interlocutors described a region plagued by corruption and whose residents -- up to 70 percent according to Armavir's mayor -- are not fully aware of their political and legal rights. A USAID-funded survey found much the same situation. The Armavir Development Center, a USAID grantee, in March opened an advocacy center, which is comprised of eight staff and 20 young volunteers. The primary focus of the center is combating corruption, which they described as an issue in every situation, particularly in such areas as interaction with law enforcement and social protection agencies, access to health care and the protection of property rights. Corruption is especially problematic in smaller communities, where up to seventy percent of land is owned by outsiders, mayors hold outsized power and city councils are not well established enough to serve as a check on executive power.

19. (C) Representatives indicated that they have received support from local government officials, and that the deputy governor, regional prosecutor and Mayor of Armavir have supported the center's efforts and are taking the center's role seriously. The mayor of Armavir asserted his support to the Ambassador, feeling the center could be helpful for making people aware of their political and legal rights. The center is also involved in a health project, with representatives noting that while perhaps 10-20 percent of the population has interactions with law enforcement, 80-90 percent interact with the health care system, which they described as very corrupt. The deputy governor has been particularly supportive of this project, which includes a program to provide free medication to needy individuals.

OPENING THE BORDER

110. (C) All interlocutors indicated support for opening the border with Turkey, asserting that while genocide recognition is an important issue for people in the marz, it should not be a factor with regard to opening the border. They believe such an opening offers considerable economic opportunity for the country and the region, especially for export of agricultural products. They noted that there is a MCC-funded road project envisioned to run from the city of Armavir to the Turkish border. Armavir Mayor Ruben Khlgatyan also expressed support for opening the border, saying that while it is important to remember the past, Armenia must not live in it. He said he holds no animosity toward Turkey, and whether it is the current or a future Armenian President, it is time to resolve this issue, without preconditions. "We know there was a genocide and don't see the need to prove it," he commented.

111. (C) ALT-TV Director Khachik Danielian said that while Armenia-Turkey rapprochement is a prominent issue in the region, many of the communities on the highway from Armavir to the Turkish border are populated by descendants of those pushed out of eastern Anatolia, who may have little affection or tolerance for their Turkish neighbors. Danielian is planning to produce a series of programs -- starting in the next 2-3 months -- intended to address this situation in anticipation of a near-term border opening. The Ambassador suggested this project might constitute a good project for an Embassy Democracy Commission grant.

COMMENT

112. (C) The largely rural and heavily agrarian Armavir region is feeling a serious impact from the global economic crisis, suffering as it is from both a calamitous drop in remittances and falling domestic demand for its agricultural output. It will further feel the impact of seasonal workers who will not seek employment overseas this year, swelling the ranks of the unemployed and putting an even greater burden on anemic social service system. With a long border with neighboring Turkey, it has potentially much to gain economically from

re-establishment of diplomatic relations and a re-opening of the border. Plans by ALT-TV to ameliorate some of the historical tensions through a series of television programs could bring great benefit to the effort. Corruption is a problem throughout Armenia, and will take concerted efforts on the part of many players to eradicate. The efforts of ALT-TV to expose problems and the Armavir Development Center to help residents assert their rights are necessary, if still insufficient, first steps.

YOVANOVITCH